

## Cover report to the Trust Board meeting to be held on 3 November 2022

	Trust Board paper R
<b>Report Title:</b>	<b>Audit Committee – Committee Chair’s Report</b>
<b>Author:</b>	Alison Moss – Corporate and Committee Services Officer

<b>Reporting Committee:</b>	<b>Audit Committee</b>
<b>Chaired by:</b>	Mike Williams – Non-Executive Director
<b>Lead Executive Director(s):</b>	Lorraine Hooper – Chief Financial Officer
<b>Date of meeting:</b>	28 October 2022

**Account of key public matters considered by the Committee and any related decisions made:**

This report provides a summary of the key public issues considered at the Audit Committee on 28 October 2022 (involving Mr M Williams Audit Committee Non-Executive Director Chair; Ms V Bailey QC Non-Executive Director Chair; Mr S Harris FIC Non-Executive Director Chair; Mr B Patel; PCC Non-Executive Director Chair ; Ms L Hooper Chief Financial Officer; Mr S Linthwaite Deputy Director of Finance (Financial Services); Ms B Cassidy Director of Corporate and Legal Affairs; Ms L Barbrook. Head of Contracts - Estates and Facilities, and representatives from External Audit, Internal Audit, and Counter-Fraud). Full Minutes will be submitted to the December 2022 Audit Committee.

**Recommended items**

- **Update on UHL’s Standing Financial Instructions (SFI), Standing Orders and Scheme of Delegation** – The Audit Committee reviewed the Trust’s SFIs and Scheme Of Delegation. There were additions to enable the Chief Executive and Chief Financial Officer (or deputies) to approve non-recurrent investments up to £100k; set clear approval routes for expenditure; set levels of authority aligned to generic job titles; and set losses and write-off levels (benchmarked against similar sized Trusts).

The Committee agreed changes to paragraph 5.5.2 in SFI and section 10 of the Scheme of Delegation to provide greater clarity. It was noted that further work was needed over the coming months to update the Standing Financial Instructions particularly in areas relating to People Services, Research, land, buildings and leases.

The Trust’s Standing Orders were being rewritten. The Chief Financial Officer noted that work to review the governance of the subsidiary TGH Holdings would be presented to the next meeting of Audit Committee.

*The Update on UHL’s SFIs, Standing Orders and Scheme of Delegation was endorsed and recommended for Trust Board approval. This will be a standalone item on the 3 November 2022 Trust Board agenda.*

- **Revised UHL Counter-Fraud, Bribery and Corruption Policy** – The Audit Committee received an updated version of the policy which provided a framework for responding to suspicions of fraud.

*The UHL Counter-Fraud, Bribery and Corruption Policy was endorsed and recommended for Trust Board approval. This will be a standalone item on the 3 November 2022 Trust Board agenda.*

- **Performance and Accountability Framework** – the Audit Committee received the Framework which had been revised to reflect the current position. It would be subject to a further review over the coming months to continue to improve the grip, challenge and oversight of performance and accountability across the organisation.

*The Performance and Accountability Framework was endorsed and recommended for Trust Board approval. This will be a standalone item on the 3 November 2022 Trust Board agenda.*

## Discussion items

- **2021/22 Annual Accounts – progress update** – the Audit Committee received an update on the audit of the 2021/22 accounts. The draft accounts had been resubmitted in October 2022, updating the previous submission to report a surplus of £3.328M. An audit opinion would be available to be recommended to the Trust Board between the end of January and mid-February 2023. Having focussed on improving financial controls it was anticipated that the Trust would obtain an improved (qualified) audit opinion for 2021/22.  
*This discussion is highlighted to the Trust Board for information.*
- **2021/22 Annual Report and Annual Governance Statement** – the Audit Committee received a draft of the Annual Report and Annual Governance Statement 2021/22. The outstanding elements, which mostly related to financial data, were noted.
- **Progress of Management Response to Statutory Recommendations report 2022/23** – the Audit Committee noted the latest progress in relation to the Statutory Recommendations ‘Audit of Accounts 2019/20 - Financial Reporting, Governance and Financial Sustainability’. The Committee reviewed each action in turn. It was noted that some actions would be carried forward in the Financial Improvement Plan and that Internal Audit would provide on-going monitoring of some actions.
- **Losses and Compensation Report 2021/22** – the Audit Committee received the annual report noting that in 2021/22 the Trust had written off individual debts totalling £118k. The Committee would receive more granular reports on a quarterly basis from December 2022 onwards.
- **Financial Improvement Plan** – the Audit Committee received an update on the progress made in addressing the Financial Improvement Plan. It was noted that there were 108 actions which had been risk rated. There was a Senior Responsible Officer overseeing the plan with a dashboard to track progress. The Committee discussed the risks to delivery as it was the same pool of staff working on the plan to that supporting the 2021/22 accounts external audit. The importance of addressing the actions to achieving an improved audit opinion was noted.  
*This discussion is highlighted to the Trust Board for information.*
- **External Audit Progress Report 2021/22** – the Audit Committee received a high-level plan from the External Auditors for the audit of the 2021/22 annual accounts. It was noted that, given the change in external auditor, there would be additional work to meet international accounting standards for opening balances and comparable figures and financial statements. The Committee was informed there would be additional quality assurance oversight from the External Auditors given the circumstances pertaining to the Trust. It was noted that the annual accounts would be accompanied by a Value for Money statement.
- **Internal Audit Overdue Actions** – the Audit Committee received a report on progress in addressing actions from Internal Audit reports. There were 73 open actions; 32 of which were historic actions (that is, prior to 1 April 2022). It was noted that the Head of Internal Audit’s Opinion would be based on current actions from audits finalised in the 2022/23 year rather than the historic ones.

Significant work was in train to improve the position before the end of the calendar year. The Chief Financial Officer noted that many of the actions related to the Financial Improvement Plan which was a key focus for the Finance Team. Of the 10 actions for finance, she expected at least 7 to be closed by the following working day.

The Committee discussed the balance to be struck between closing actions to achieve a good Audit Opinion and taking the right actions to bring about sustainable change. It was thought that, on occasion, it might be easier to accept a recommendation from Internal Audit rather than negotiate a more meaningful action and realistic timescale. Internal Audit noted that there was the option to agree actions had been superseded and that they were open to discussion about appropriate actions and timescales.

*This discussion is highlighted to the Trust Board for information.*

- **Healthcare Financial Management Association (HFMA) Self-Assessment** – the Audit Committee received the Trust’s self-assessment for the HFMA checklist – Improving NHS Financial Sustainability: Are You Getting the Basics Right? The Chief Financial Officer described the process used to complete the assessment and considered the findings to be reflective of the current position. The Internal Auditor would report back on its audit of the self-assessment. The actions arising from the self-assessment were incorporated in the Financial Improvement Plan.
- **Estates and Facilities Response to the Local Proactive Exercise 2021-22 (PWC Report)** – the Audit Committee received a report addressing the recommendations made by Price Waterhouse Cooper (PwC) following its review of processes to authorising payments to contractors. The review had been undertaken by PwC following an allegation to the NHS Counter Fraud Authority regarding payments for work that had not been

completed. There was no evidence to suggest such fraud had taken place, although actions had been identified that could improve control. The review had been published in June 2022 and the report set out the actions taken as a result. The revised procedures would ensure appropriate evidence was recorded to demonstrate works were completed. Further work would be undertaken to provide an interface between data systems and review the model of administrative support.

- **Contract Management – Action Plan Progress Update** - The Audit Committee received an update on actions to improve contract management. Internal Audit had conducted a review into Contract Management in the summer 2021. That review highlighted several key risk areas with actions to mitigate those risks. The report set out the progress against each action and the next steps.
- **Discretionary Procurement Actions** – The Audit Committee noted the procurement waivers approved for the period August 2022 to October 2022 and the reasons for the waiver.
- **Internal Audit progress report 2022/23** – The Audit Committee received a report from the Internal Audit detailing the progress on the Trust's 2022/23 Internal Audit Plan. Two reports had been completed since the last meeting relating to Estates and Facilities and Subsidy Governance. Two reports were nearing completion: Cyber Phishing and Maternity Incentive Scheme.
- **Head of Internal Audit Opinion Work – Stage 1 update** – The Audit Committee received the Stage 1 Head of Internal Audit Opinion memo. As part of this stage 1 work, the Internal Auditor had focused on reviewing the opening 2022/23 Board Assurance Framework (BAF) and programme of review for the year. Two medium risks had been identified as part of this work relating to the content of the BAF and the forward-plan for reporting and review of the BAF at sub-committees in year.
- **360 Assurance: Counter Fraud Progress Report 2022/23** – The Audit Committee received progress against the Counter Fraud Plan for 2022/2023. The Committee requested comparative data for other trusts in relation to the number of concerns reported.

**Items for noting:**

- **Charitable Funds Committee Minutes August 2022;**
- **Quality Committee Minutes August 2022;**
- **Operations and Performance Committee Minutes August 2022;**
- **Finance and Investment Committee Minutes August 2022;**
- **People and Culture Committee Minutes August 2022.**

**Public matters requiring Trust Board consideration and/or approval:**

**Recommendations for approval:-**

- Update on UHL's Standing Financial Instructions, Standing Orders and Scheme of Delegation
- Revised UHL Counter-Fraud, Bribery and Corruption Policy
- Performance and Accountability Framework

**Public items highlighted to the Trust Board from this meeting:-**

- 2021/22 Annual Accounts – progress update
- Internal Audit Overdue Actions
- Financial Improvement Plan (assurance re

**Public matters referred to other Committees:**

- None.

**Date of next meeting:**

23 December 2022